AngelList Venture svb Silicon Valley Bank

The State of U.S. Early-Stage Venture & Startups: 1Q22

Date: 4/27/22

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Venture Executive Summary

News of early-stage venture's demise appears premature. That's the key finding from our 1Q22 State of U.S. Early-Stage Venture & Startups report. In a quarter highlighted by market turbulence at home and war abroad, **83%** of startups on AngelList that had their share price change in 1Q22 saw that share price increase (i.e., "marked up").

For context, that's just a 1% decrease **from last quarter's rate of 84%** and only 2% off **1Q21's rate of 85%**. 1Q22 simultaneously saw a sharp increase in the amount of fundraising activity. **11.6%** of the 6,848 startups that AngelList fund manaers (also known as general partners or "GPs") had seasoned investments into raised a round or exited in 1Q22, up from 10.5% last quarter and 9% in 1Q21.

Valuations followed a similar upward trend, with median startup valuations reaching record highs at every stage of growth on AngelList.

Meanwhile, Web3 captured the highest share of deal volume and capital deployed in 1Q22.

Female founders received roughly one-fifth of all capital deployed on AngelList in 1Q22—the highest rate ever observed in our dataset. Lastly, we saw a noticeable decline in seed-stage financings in 1Q22, and we saw marked increases in both pre-seed and later-stage deals.

In short, early-stage venture activity remained historically elevated in 1Q22 despite broader economic headwinds and warning signs of an impending slowdown. As we've written in the past, **public and private market performance appear to be uncorrelated**. This quarter's performance is another piece of evidence to support that theory.

We'll be watching closely in 2Q22 to see if / how slumps in the public and later-stage markets impact early-stage VC.

Markups

Slight downturn

Source: AngelList

AngelList fund managers had seasoned investments into 6,848 startups at the start of 1Q22, primarily at the seed and pre-seed stages. Of those startups, roughly **11.6%** raised a round or exited in 1Q22. Of that activity, **83%** was positive, meaning the startup saw its share price increase.

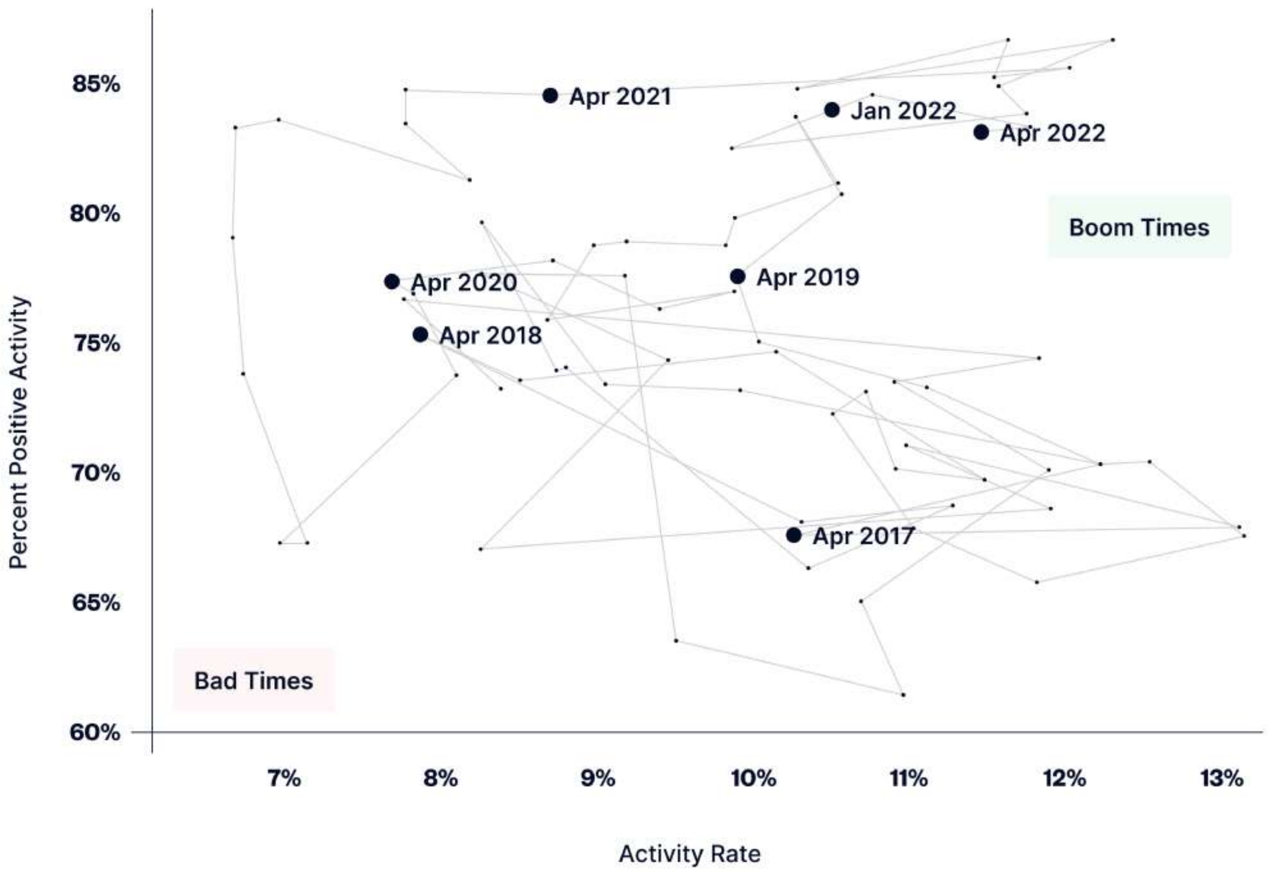
Overall, **9.6%** of startups on AngelList saw a share price increase in 1Q22, while **1.9%** saw a share price decrease relative to the last fundraise ("marked down").

The 83% markup rate represents the lowest positive rate observed since [4Q20](), when the markup rate was 80%. It's also the third consecutive quarter of decreasing markup rates since 2Q21's record-setting rate of 90%. Even still, 83% is far above historic levels on AngelList, which indicates that a vast majority of startups are continuing to raise at valuation increases.

It remains to be seen whether this slight downturn is normal volatility or a harbinger of future volatility for early-stage venture capital.

Rate of Activity

Very active market



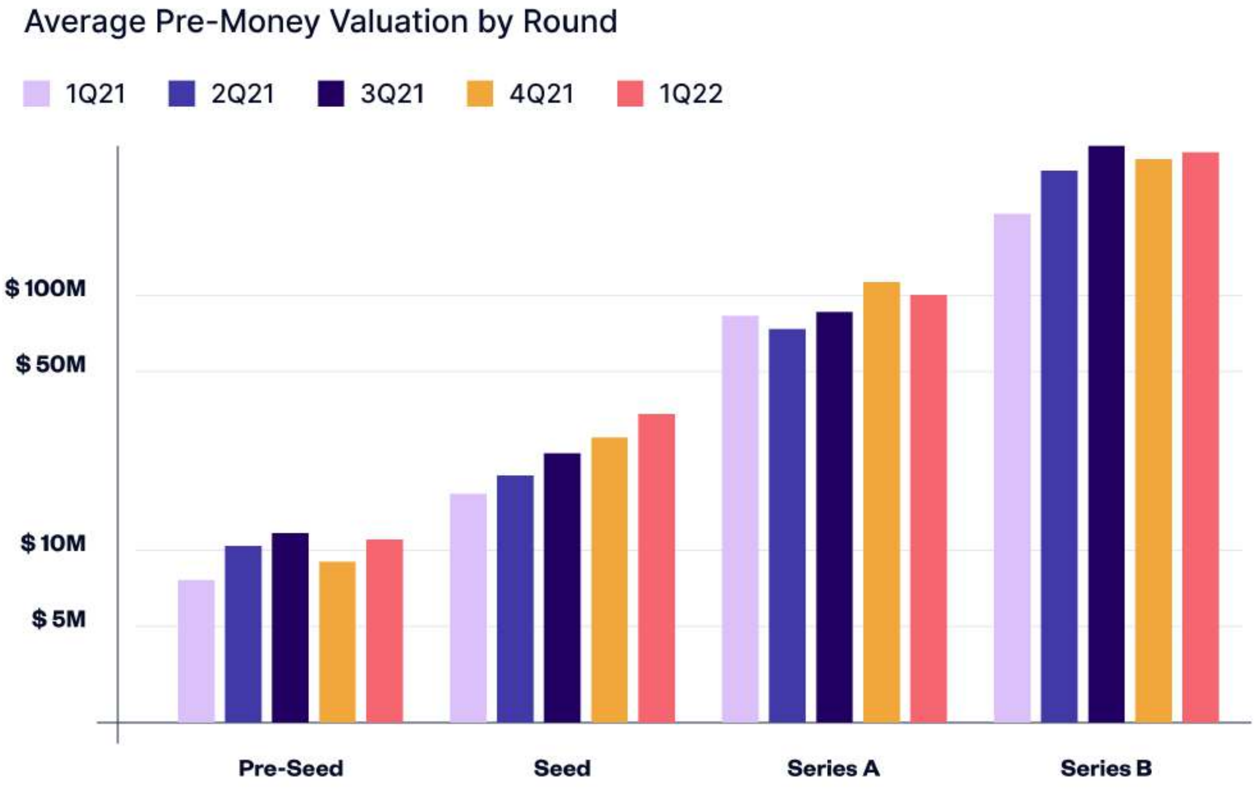
Source: AngelList

In last quarter's report, we noted that the rate of dealmaking on AngelList hadn't yet returned to pre-pandemic levels. That appeared to shift in 1Q22, which saw roughly **11.6%** of startups on AngelList raise a round or exit. **11.6%** represents the most active Q1 on record. Roughly **25%** more companies changed valuation in 1Q22 than in 1Q21.

The high volume of dealmaking in 1Q22 and the generally positive tenor of those deals suggests the early-stage venture market has largely been spared from broader market turmoil thus far.

Average Valuation

Early-stage valuations way up



Source: AngelList

High markup rates generally correlate with average valuation increases, and that's what we saw again in 1Q22. After a slight dip in 4Q21, pre-seed valuations jumped **21%** in 1Q22 to **$10.8M**. Seed-stage valuations saw an even bigger increase of **25%** to **$34.3M**.

Meanwhile, Series A rounds fell off by **5.5%** to **$100M**, and Series B rounds increased **1.8%** to **$325M**.

Across the board, average valuations are higher today than they were this time one year ago.

Median Valuation

Large gains

Round Name	25th percentile	50th percentile	75th percentile
Pre-Seed	$6M	$10M	$15M
Seed	$12M	$20M	$30M
Series A	$42M	$66M	$100M
Series B	$135M	$250M	$400M

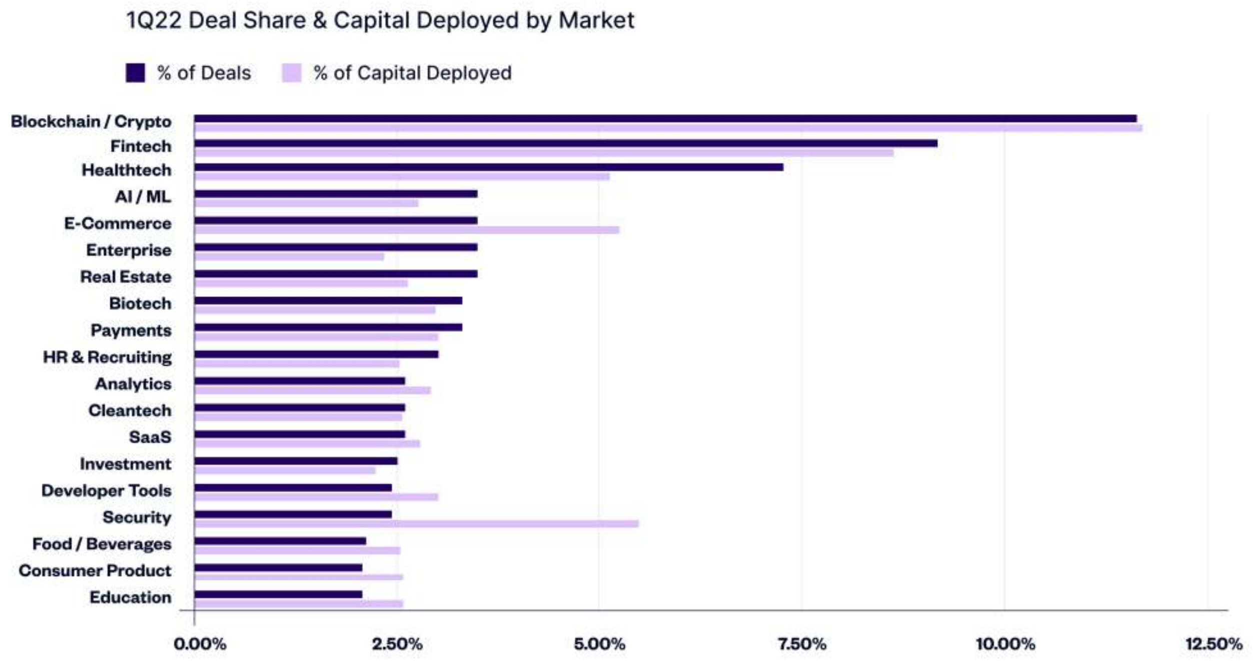
Source: AngelList

While average valuations can be skewed by outliers, median valuations in 1Q22 also tell a similar story of continued growth.

Compared to the 2021 overall median (50th percentile), pre-seed median valuations grew by $2M to **$10M**, seed-stage median valuations grew by $5M to **$20M**, Series A median valuations grew by $6M to **$66M**, and Series B median valuations grew by $50M to **$250M**.

Early-Stage VC by Market

Web3 reigns supreme



Source: AngelList

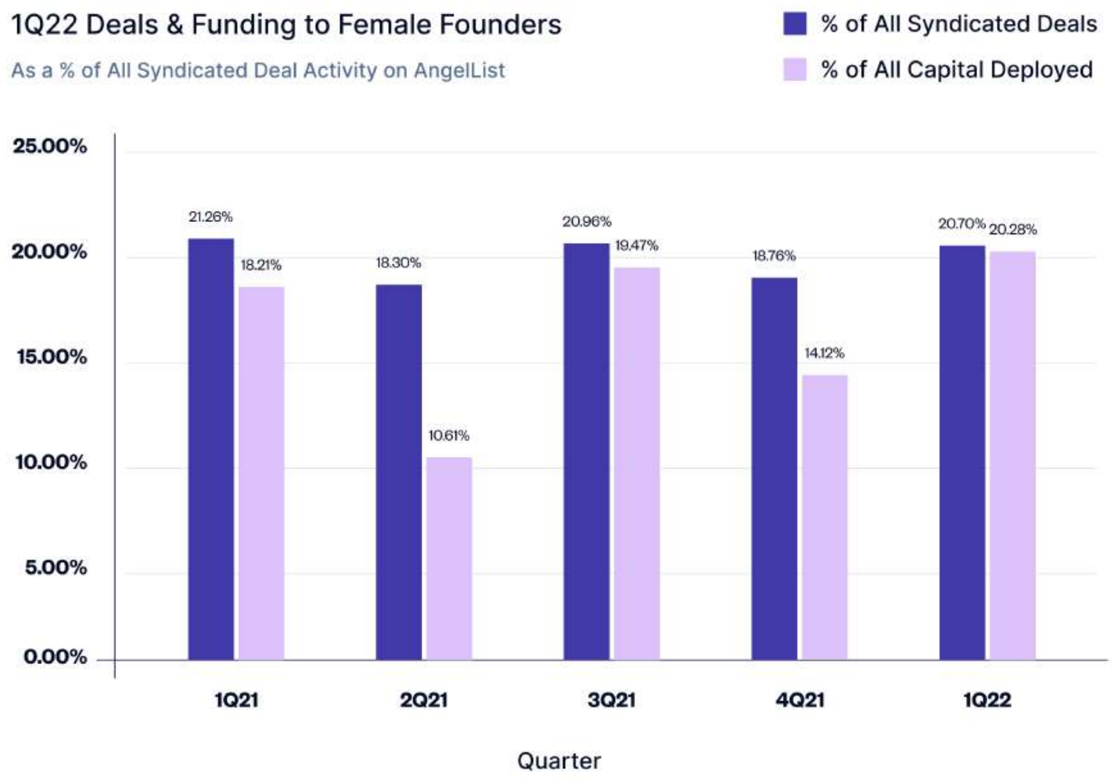
Investor enthusiasm around Web3 reached new highs in 1Q22, with Web3 startups representing over **11.5%** of all deals made on AngelList and **11.6%** of all capital deployed. Both figures represent new highs for Web3 startups on AngelList. This is also the first time Web3 captured the highest amount of deal share of any industry on AngelList for a given quarter.

Outside of Web3, fintech **(9.1%)**, and healthtech **(7.2%)**, no sector on AngelList captured more than 4% of deal share.

Only 5 different sectors captured more than 5% of capital deployed in 1Q22: Web3, fintech **(8.6%)**, healthtech **(5.2%)**, e-commerce **(5.4%)** and security **(5.7%)**. Overall, 32 different sectors captured at least 1% of deal share, and 30 different sectors captured at least 1% of capital deployed.

Funding to Female Founders

A bigger piece of the pie



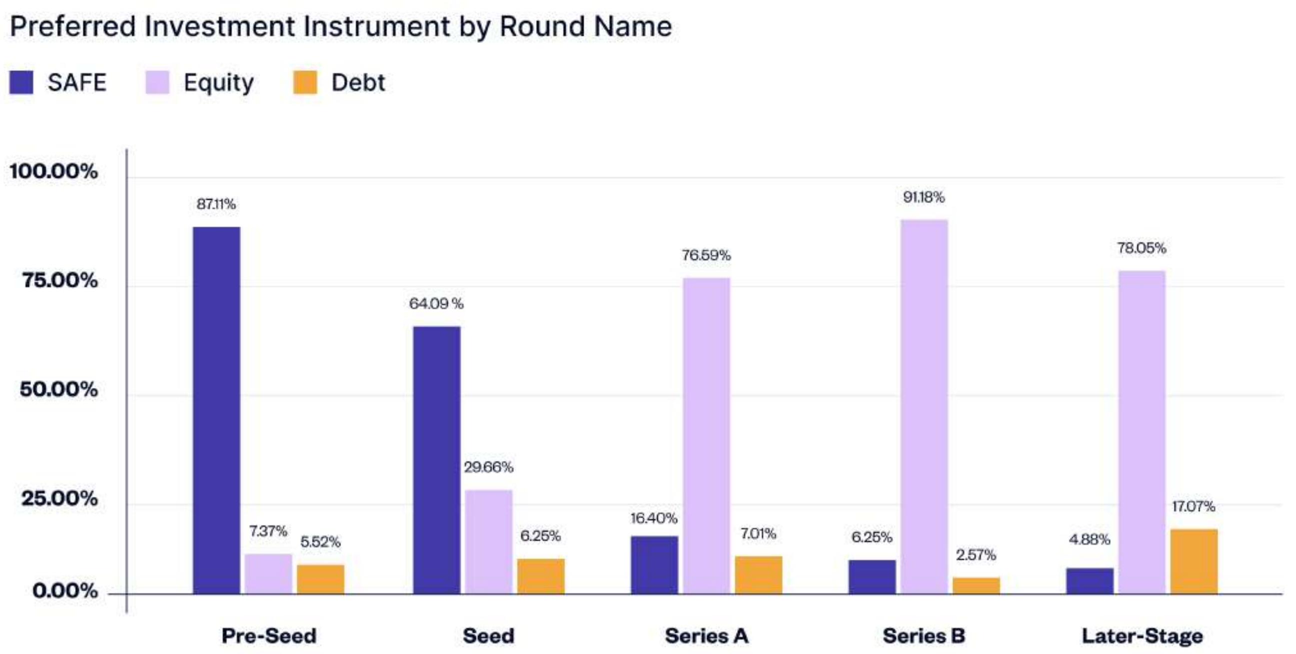
Source: AngelList

In 1Q22, female founders captured a record-high **20.2%** of syndicated capital deployed. This comes after a year in which female-founded startups on AngelList saw higher rates of capital deployed and deal share than ever before.

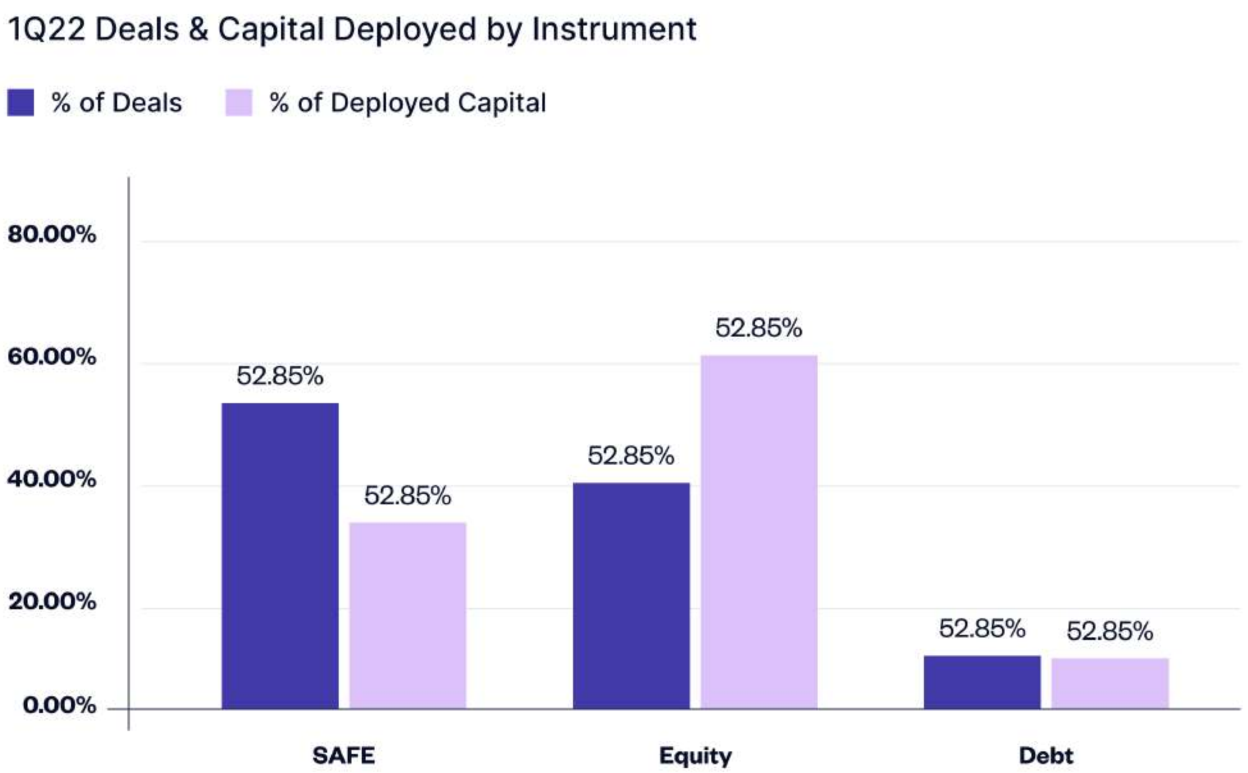
Overall, deals involving female founders increased by nearly **2%** over the previous quarter, while capital deployed to female founders grew by over **6%**.

Deals by Instrument

SAFEs remain popular



Source: AngelList



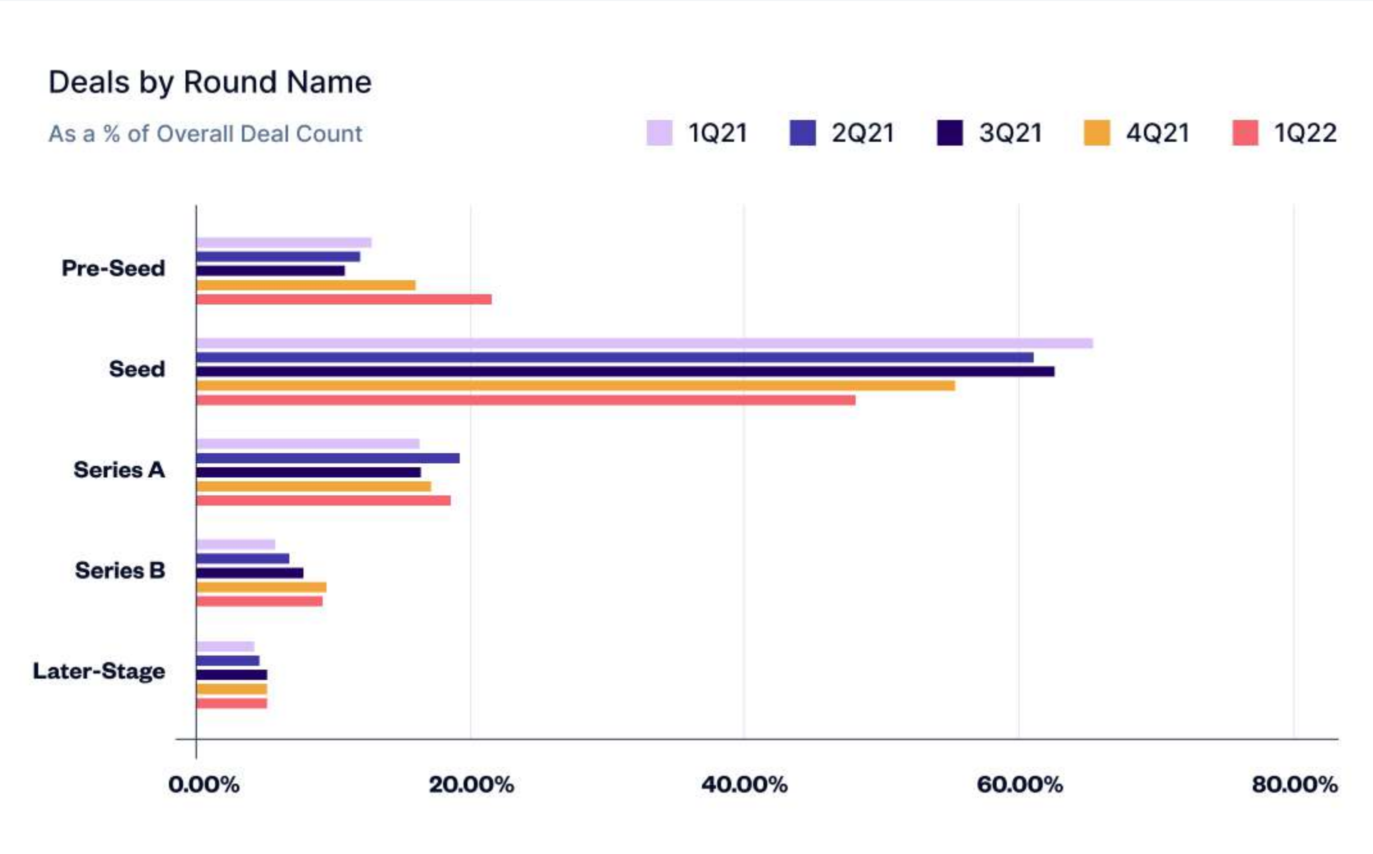
Source: AngelList

SAFEs continued to be the preferred investment instrument for a majority of deals on AngelList in 1Q22. At the same time, a majority of the capital deployed on the platform came from equity financings.

This is because equity deals comprised a larger portion of later-stage financings, whereas SAFE deals most often occurred at the seed and pre-seed stages. These trends have remained historically consistent on AngelList.

Deal Share by Round Name

Fewer seed deals



Source: AngelList

1Q22 saw a precipitous decline in the number of seed-stage deals on the platform. Compared to 2021, when roughly 60% of deals occurred at the seed stage, only **48%** of deals on AngelList occurred at the seed stage in 1Q22.

At the same time, pre-seed deals saw a **5%** jump in deal volume quarter-over-quarter, and Series A rounds saw a **2%** bump. Overall, Series A and later rounds comprised **30%** of all deal volume on AngelList in 1Q22.

Startup Spend Executive Summary

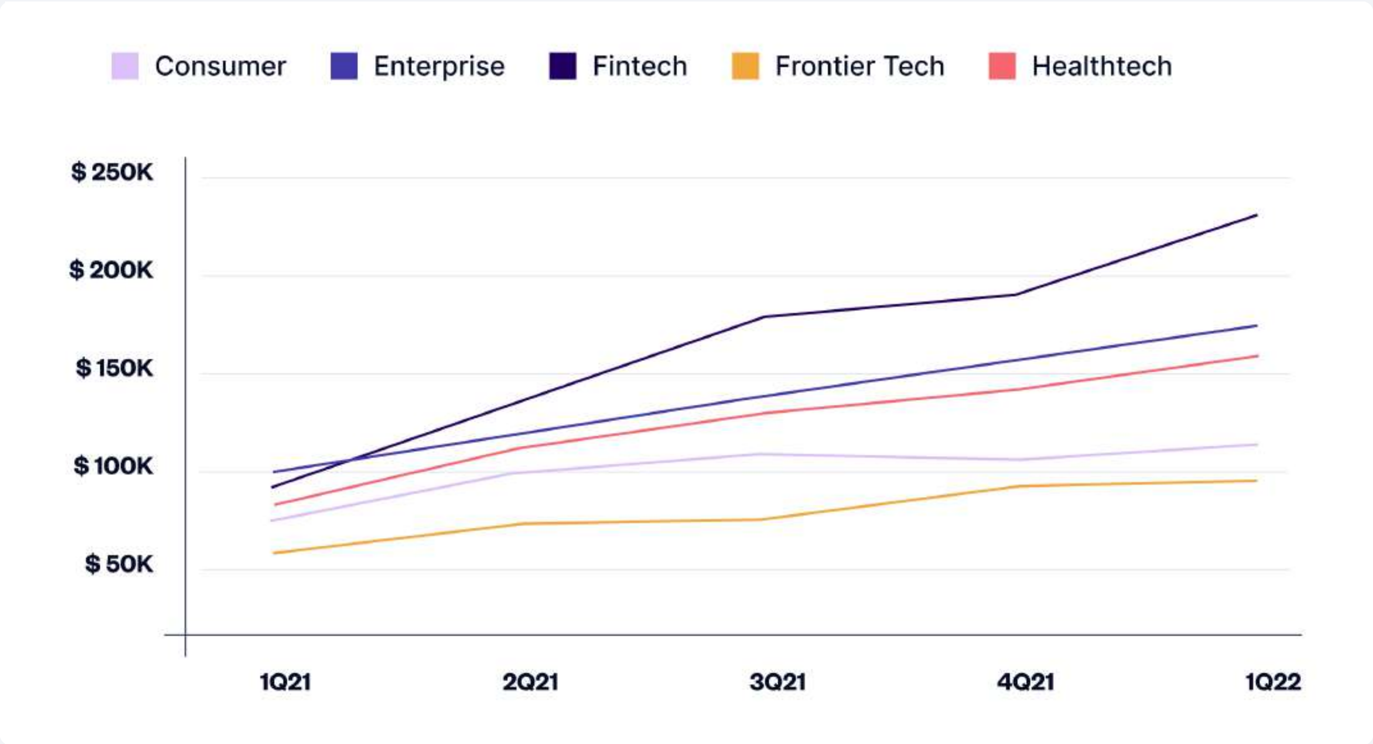
Early-stage startup spending activity in 1Q22 remained elevated despite concerns of a slowdown in the broader market. At Silicon Valley Bank, we observed payroll growth across all sectors of our portfolio of emerging technology and healthtech startups.

Fintech saw the greatest payroll growth, up **158%** year-over-year (YoY), followed by healthtech up **94%**, enterprise up **79%**, frontier tech up **64%**, and consumer up **51%**.

When we looked at payroll as a percent of total spend YoY, across all sectors payroll declined by **3%**—indicating that startups are spending more in different categories.

This quarter's report features data on 2021 startup revenues, determined by taking cash inflows and subtracting funding rounds and refunds. Fintech had the highest median revenue at **$474k**, followed by the consumer sector at **$450k**, frontier tech at **$389k**, healthtech at **$342k**, and enterprise at **$308k**.

Median Quarterly Payroll Spend by Sector



Source: SVB Proprietary Data and Analysis

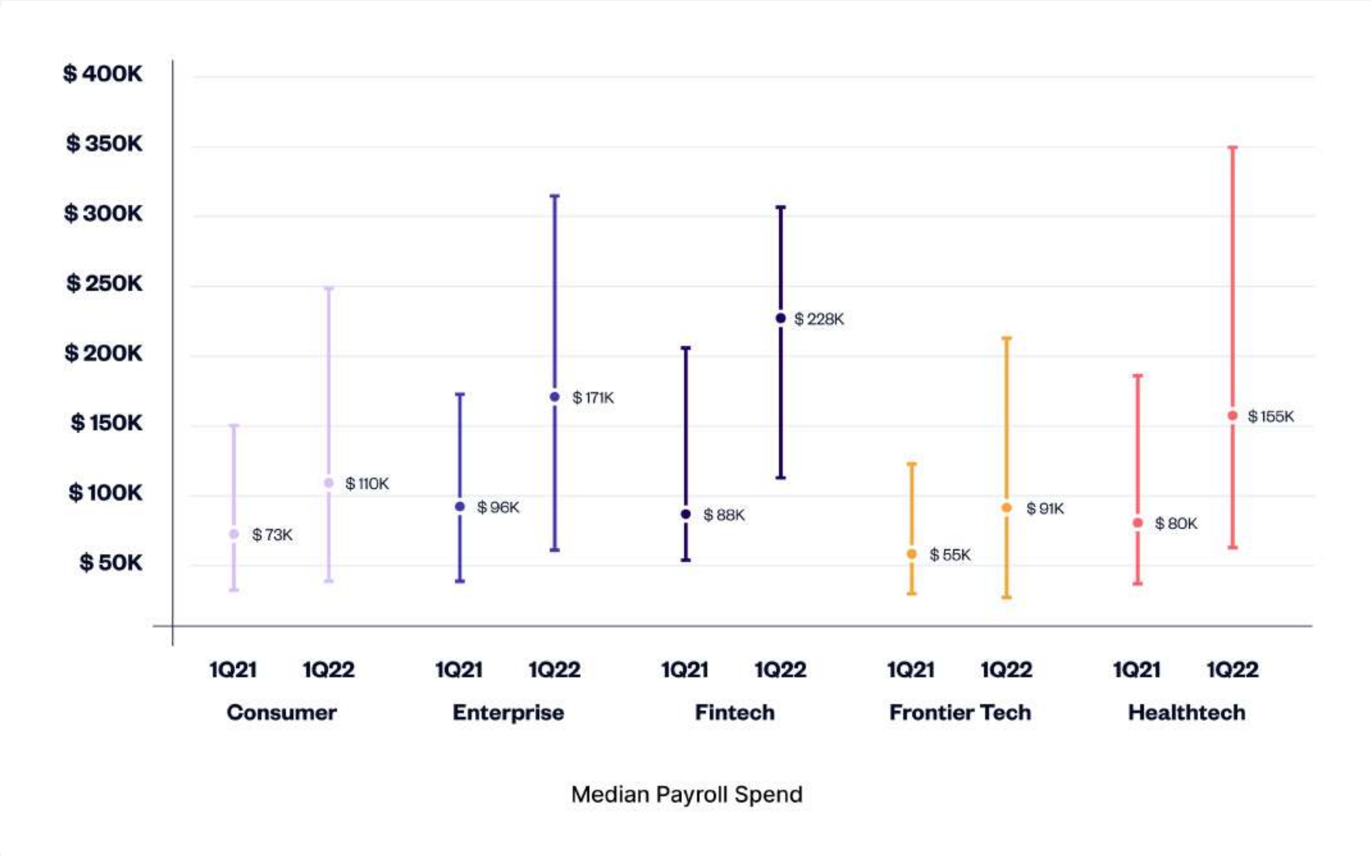
After disruption at the start of the COVID-19 pandemic, early-stage startup payrolls began to rebound in early 2021. For each sector cohort, payroll spend has increased over the past year.

Fintech companies saw the largest increase in median payroll spend, rising **158%** since the start of 1Q21—**22%** of this growth occurring between 4Q21 and 1Q22.

Healthtech payroll spend increased **94%** YoY and **13%** between 4Q21 and 1Q22. Enterprise payroll spend grew **79%** YoY and **12%** between 4Q21 and 1Q22. Frontier tech increased **64%** YoY and **3%** between 4Q21 and 1Q22. Finally, consumer increased **51%** YoY and **7%** between 4Q21 and 1Q22.

Each sector cohort is compiled of U.S. pre-Series A technology and healthcare companies founded between 2018 and 2020 that have payroll spend of at least $5k per quarter for the company. Payroll spend reflects W-2 paychecks for full-time workers as well as consultants. Payroll does not include equity compensation and other non-cash benefits.

Payroll Spend Range by Sector

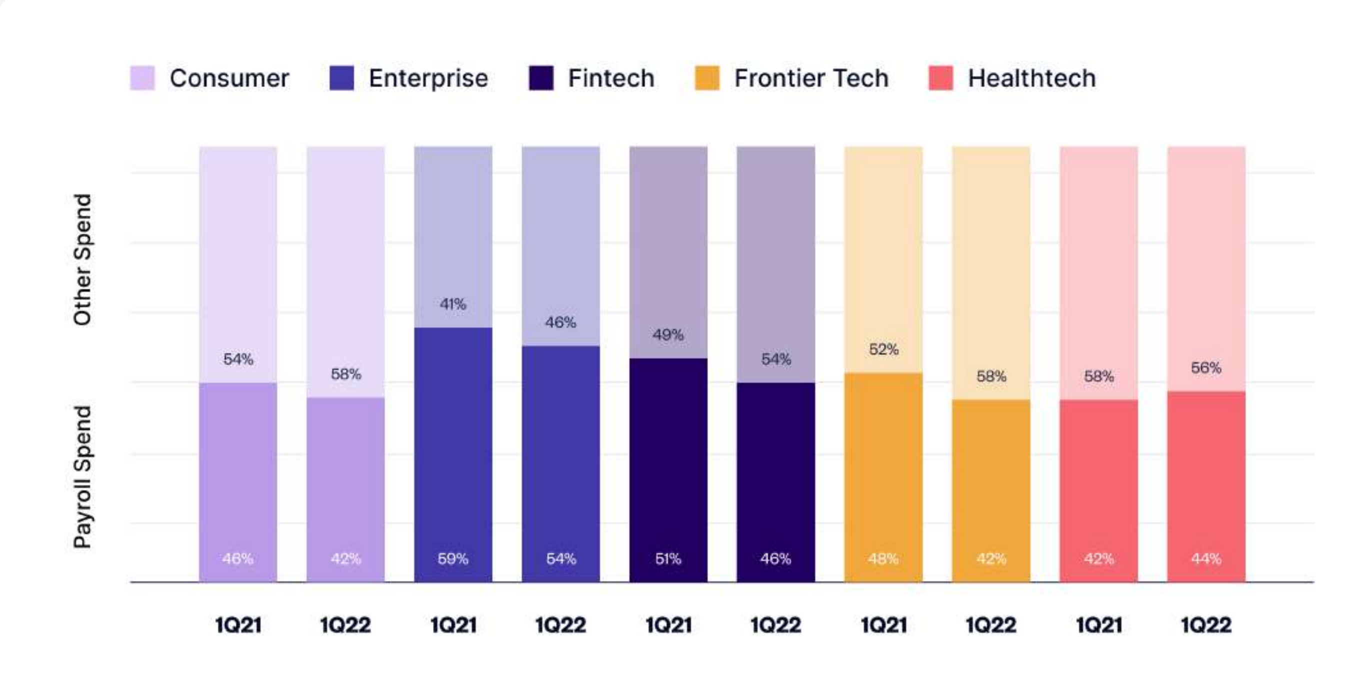


Source: SVB Proprietary Data and Analysis

The range of payroll spend—upper bound is the 75th percentile, lower bound is 25th percentile—has increased **74%** on average across all sectors over the past year. In 1Q22, healthtech and enterprise had the largest quarterly payroll spend ranges at **$64k-$350k** and **$64k-$315k** respectively. This was followed by consumer at **$42k-$247k**, fintech at **$117k-$305k**, and frontier tech at **$30k-$214k**.

Each sector cohort is compiled of U.S. pre-Series A technology and healthcare companies founded between 2018 and 2020 that have payroll spend of at least $5k per quarter. Payroll spend reflects W-2 paychecks for full-time workers as well as consultants. Payroll does not include equity compensation and other non-cash benefits.

Median Payroll Spend (as a Percent of Total Spend)



Source: SVB Proprietary Data and Analysis

With the exception of healthtech, payroll spend became a smaller percentage of total spend for companies in our cohorts between 1Q21 and 1Q22. On an absolute basis, payroll spend is still going up, so this is not necessarily a sign of cutbacks or broader struggles.

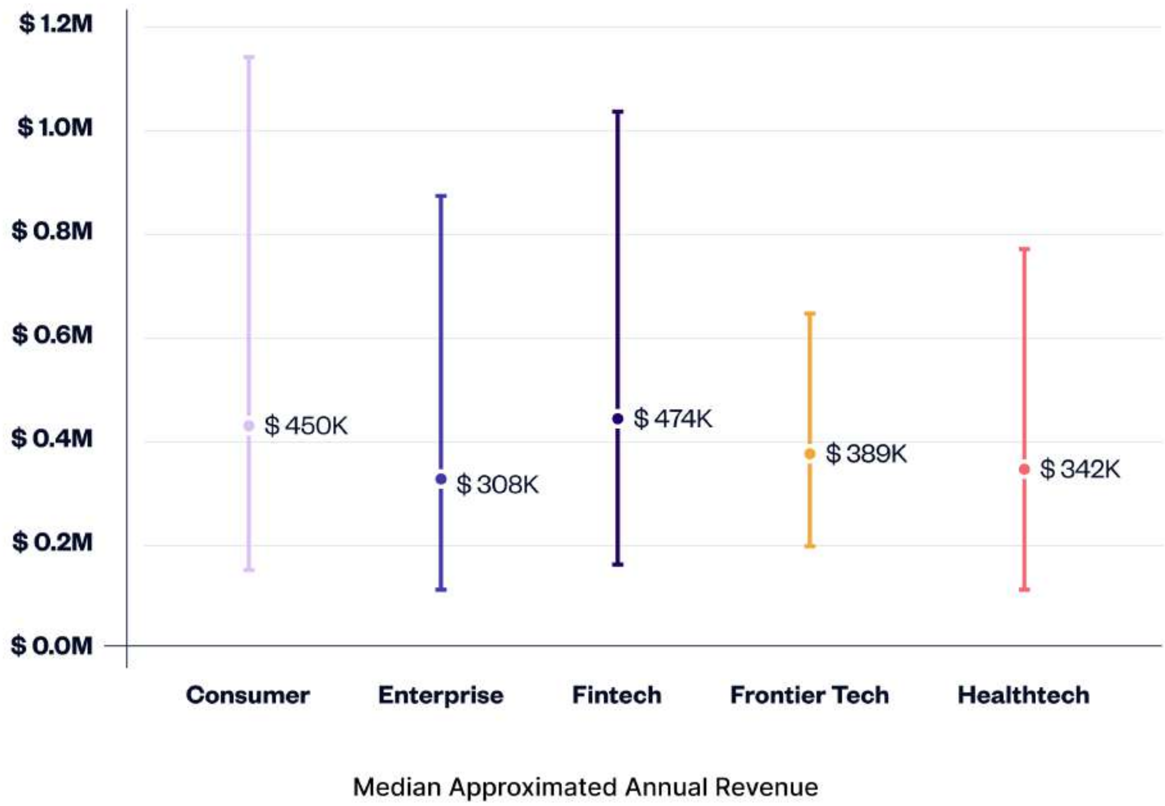
Instead, it appears companies are growing their spend on computing, advertising, software, and other services to support revenue growth while also expanding their (largely remote) workforces. Scaling spend faster in non-payroll categories has caused payroll spend as a percentage of total spend to decrease.

Notably, many expenses—such as material goods and rent—have increased in cost due to inflation. These inflationary pressures have also had a direct impact on salaries. For instance, employees are citing rising costs when advocating for pay raises.

One offset for startups is office costs. Unlike a handful of large tech companies that are pushing for a return to office, early-stage companies have been more amenable to remote work. This has helped keep costs down by avoiding leases and allowing these companies to hire cheaper international labor.

Each sector cohort is compiled of U.S. pre-Series A technology and healthcare companies founded between 2018 and 2020 that have payroll spend of at least $5k per quarter. Payroll spend reflects W2 paychecks for full-time workers as well as consultants. Payroll does not include equity compensation and other non-cash benefits.

Approximated Annual Revenue Range by Sector



Source: SVB Proprietary Data and Analysis

Based on the range of approximate revenue—upper bound is the 75th percentile and lower bound is 25th percentile—consumer and fintech had the most revenue traction in 2021, with companies in the 75th percentile grossing more than $1M. The early-stage enterprise and healthtech sectors generated the lowest median revenue of the five sectors analyzed. This is partially attributable to the longer sales cycles for startups in these industries. This slower ramp for enterprise companies flips once these businesses start onboarding clients, with each incremental customer moving the needle and bolstering the company's prospects. See **SVB's State of SaaS report** for more.

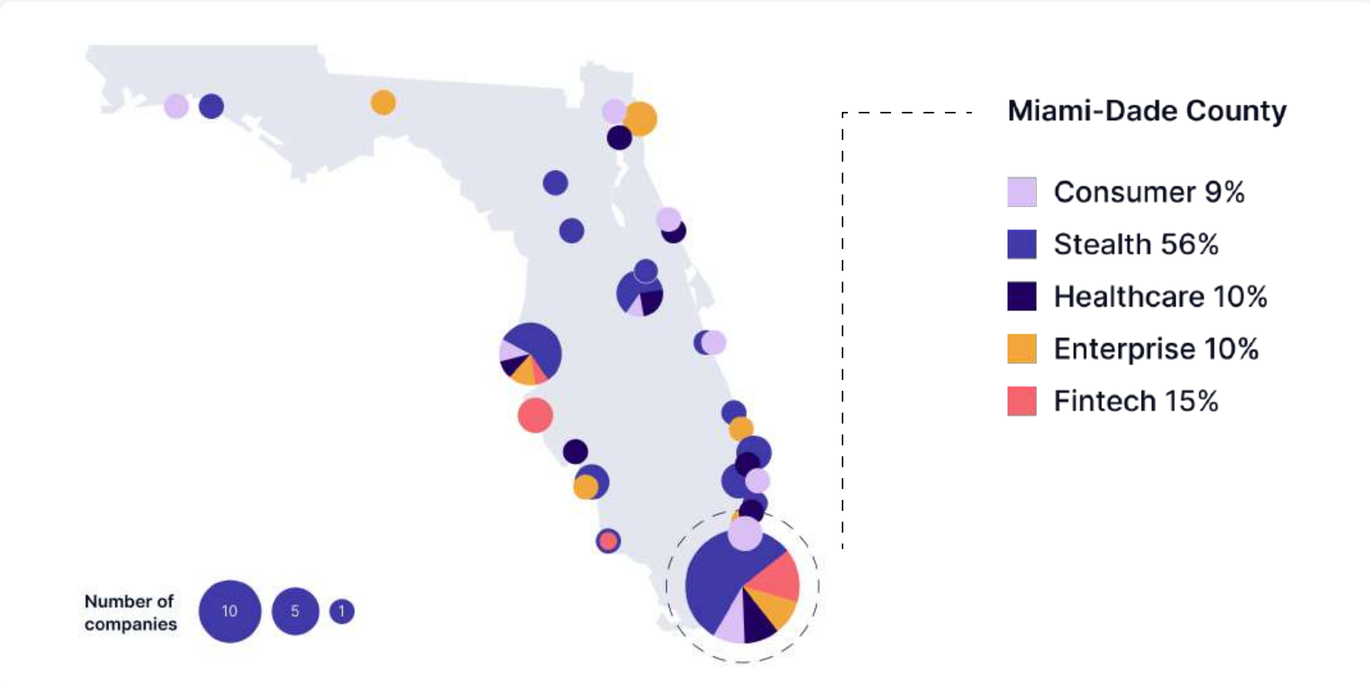
Each sector cohort is comprised of U.S. pre-Series A technology and healthcare companies founded between 2018 and 2020 that have annual cash inflows of at least $1k. Approximated annual revenue is based on SVB's proprietary analysis of cash inflows, net of funding events and refunds.

Spotlight: Emerging U.S. Startup Hubs 2021

Silicon Valley, New York, and Boston are established tech hubs. But in recent years, other areas of the U.S. have emerged as hubs for startup formation and venture capital. We took a closer look at four metro areas with rapidly growing startup scenes: Miami, Washington D.C., Atlanta, and Chicago. We used Harmonic AI's proprietary database of companies founded in 2021 to determine the number of startups founded in each particular region that are likely to raise venture funding ([Harmonic AI] uses a proprietary algorithm that takes into consideration factors such as founder experience and keywords in the business description to make this determination).

Many of the companies observed are freshly incorporated, often have no funding and very little web/social presence—conditions that typically classify a company as "stealth".

Circle size represents the number of companies founded in a particular geography. Circles are color-coded depending on the sector.

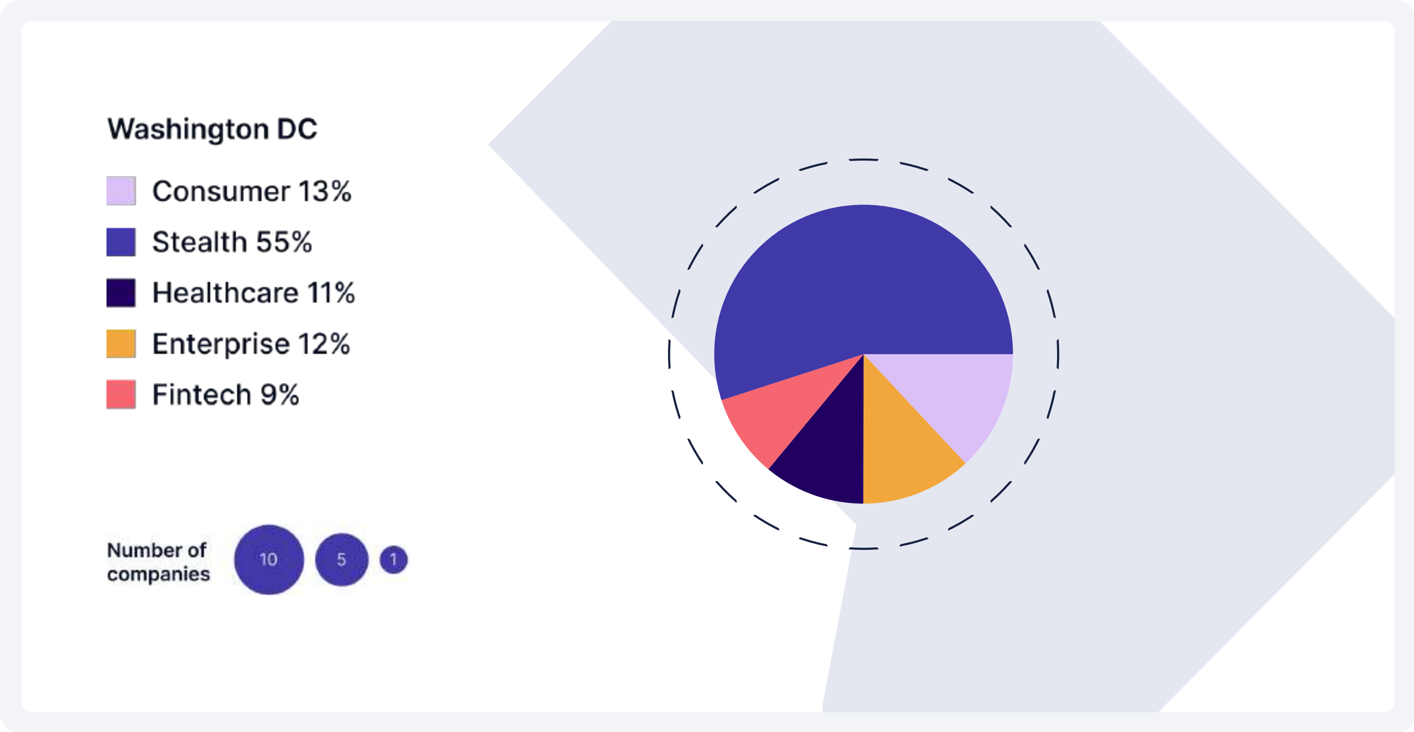


Source: Harmonic.ai, SVB Analysis

South Florida has staked a reputation as a bastion for remote work and a Web3 oasis with strong ties to the LATAM market. In 2021, Miami entrepreneurs founded **88 companies** in the tech and healthcare space.

Aside from the number of companies currently in stealth mode, the most populous sector was fintech. This is aided partially by Miami's embrace of Web3.

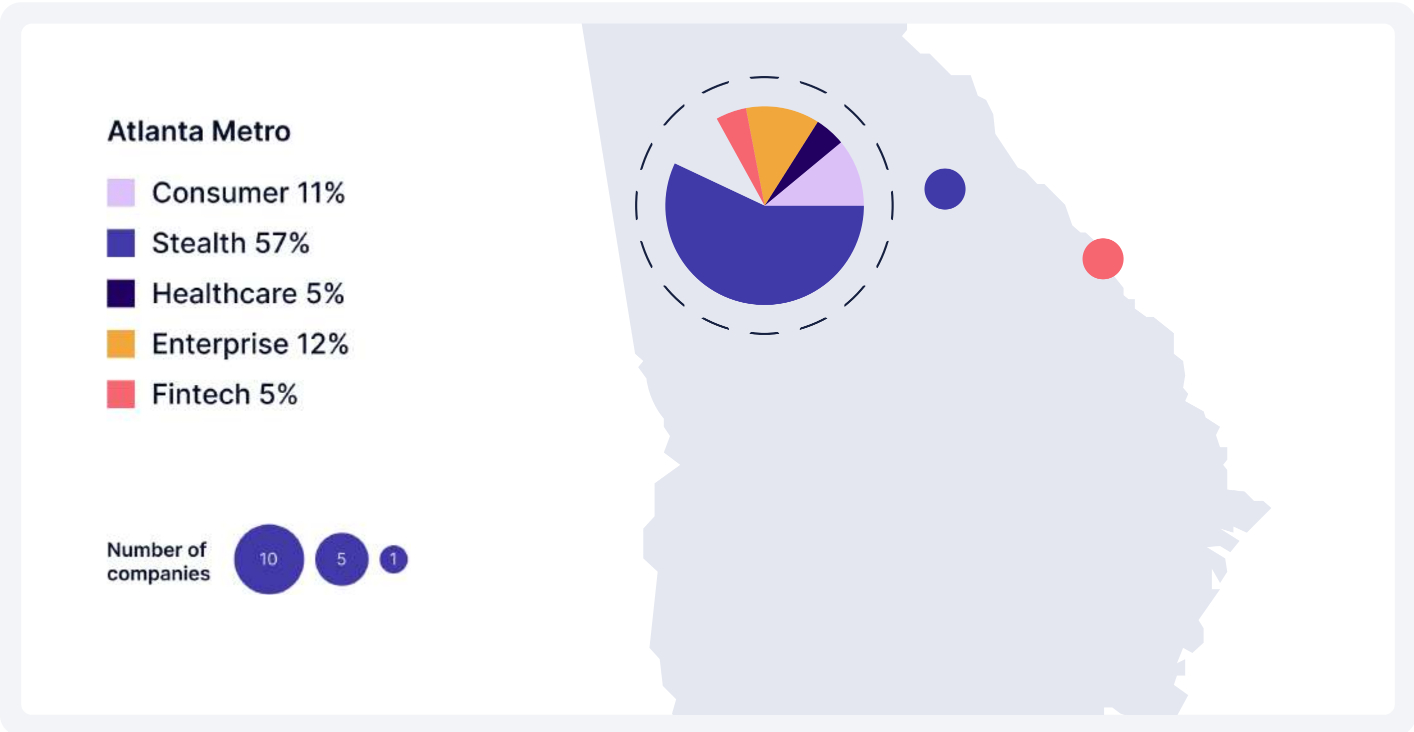
In April, 25k Web3 enthusiasts converged on Miami for Bitcoin 2022. Big tech is also establishing a presence in Miami. In 2021, Microsoft closed on a 50k square-foot campus in the Miami neighborhood of Brickell. Amazon also announced in March 2022 that it would take over a 9k square-foot office space in Coral Gables.



Source: Harmonic.ai, SVB Analysis

Washington D.C. comprises only 68-square miles, yet produced **75 startups** in 2021. Beyond the marble and monuments, D.C. is home to world-class universities like Georgetown, Howard, and American—providing it with a valuable pipeline of tech talent.

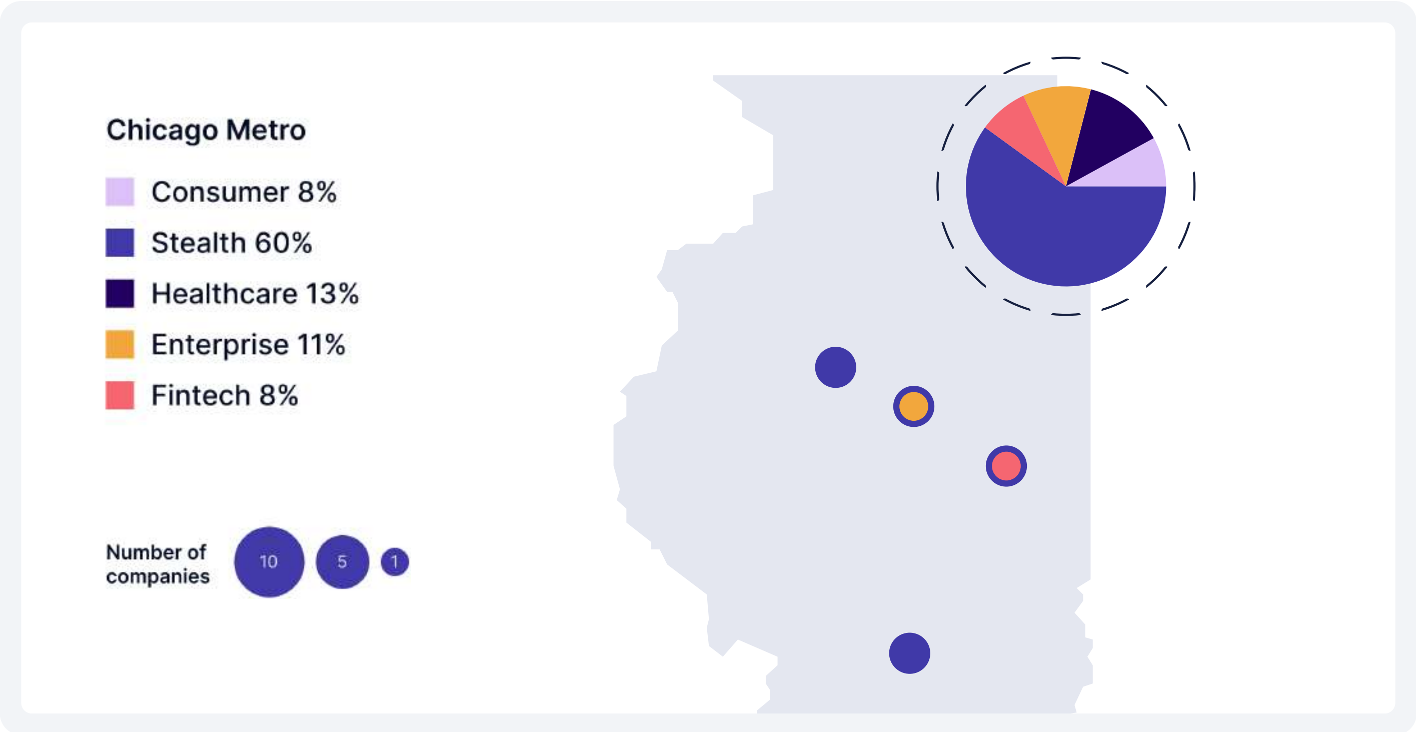
D.C. is a developer operations (DevOps) hub, with cybersecurity, data observability, and government tech startups supporting the vast federal government and defense sectors. Big tech also has a presence in the D.C. region. Amazon selected Arlington, Virginia to host its second headquarters, dubbed "HQ2", which is scheduled to open in 2023.



Source: Harmonic.ai, SVB Analysis

Atlanta minted **94 new startups** in 2021—second only to Chicago in our emerging hubs analysis. The metro area is the second fastest growing tech hub by salaries in the U.S., and 16 Fortune 500 companies call Atlanta home. World-class universities such as Georgia Tech (home of the Advanced Technology Development Center, one of the world's top tech incubators), Emory, and Historically Black Colleges and Universities (HBCUs) like Morehouse, Spelman, and Xavier provide a strong talent pool.

In 2021, Apple launched the Propel Center in Atlanta, which offers technology education to students at HBCUs. Atlanta is also home to notable tech companies including Mailchimp, Kabbage (acquired by American Express), Pardot (acquired by Salesforce), Bakkt, and Calendly.



Source: Harmonic.ai, SVB Analysis

Chicago tops our ranking of the most active emerging tech hubs with **132 startups formed** in 2021.

Chicago features an assortment of industries—including manufacturing, transportation and logistics, healthcare, and food and agriculture. It's also home to many well-ranked universities, such as the University of Chicago, Loyola, Northwestern, and the University of Illinois Urbana-Champaign.

According to Axios' 2022 Generation Lab report, Chicago ranks #6 nationally for the locale college grads most want to move to, and #4 for college grads making over $80K in their first year of employment.

The startup ecosystem is thriving. Chicago minted 12 unicorns in 2021, surpassing all metro areas save for San Francisco and New York.

Chicago's 1871 Incubator was recognized as the world's best private incubator. Notably, Chicago also had the largest presence of healthtech companies in our analysis.

To better understand why Chicago is growing, we spoke to Steven Collens, CEO of MATTER, a Chicago Based healthcare incubator serving over 300 startups.

Steven commented: "Chicago benefits from a confluence of critical factors for building healthcare and life sciences companies: talent, capital, research and—importantly—a large community of established companies, health systems, associations, and universities who are very active in supporting entrepreneurs".

About Silicon Valley Bank

Silicon Valley Bank is the leading bank in the innovation economy. For more than 40 years, SVB has helped innovators and their investors move bold ideas forward fast. Today, we provide a range of banking services to companies, investors, and individuals across all stages in innovation centers around the world. SVB supported approximately 50% of all venture-capital backed tech and life science companies in the U.S. and 55% of U.S. venture-backed IPOs in 2021.

Whether you are just getting started as a founder with an idea, raising capital on AngelList, or driving towards your exit, SVB is here to support your journey. Check out more SVB insights designed to help founders on their startup journey.

About AngelList

AngelList provides investors and founders with the infrastructure they need to launch and scale a fund or startup. As of this writing, we support over $10B assets under management. In 2021, AngelList fund mangers participated in 57% of top-tier U.S. early stage venture deals. Our data and access gives us a nearly unrivaled view into early stage venture activity. That means we can report with more accuracy on market-wide trends within the startup ecosystem.

About the Authors

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Abe Othman started the data science team at AngelList Venture and heads the investment committee for the AngelList Early-Stage Quant Fund, which features the world's only fully automated machine-learning-driven venture investment strategy. He has founded two machine-learning companies with successful exits and invested in dozens of seed-stage companies. He received his A.B. from Harvard in Applied Math and a Ph.D. in Computer Science from Carnegie Mellon.

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Kristen Craft is Director of early-stage startups in Boston. With over 15 years of experience in enterprise software and digital marketing, she loves helping startups grow and succeed. Kristen's past experience includes leadership roles at Animalz, Tettra, Ovia Health, Wistia, and Transparent Language, as well as launching her own startup, Brown Box Storage. She holds a B.A. from Brown University and graduate degrees in education and business from Harvard and MIT Sloan. Kristen resides in Somerville, MA with her husband and two children.

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Investing in venture capital funds is inherently risky and illiquid. It involves a high degree of risk and is suitable only for sophisticated and qualified investors.

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All non-SVB named companies listed throughout this document, as represented with the various statistical, thoughts, analysis, and insights shared in this document, are independent third parties and are not affiliated with SVB Financial Group or AngelList.

Methodology

An AngelList "deal" is an investment made by a Traditional or Rolling Fund, Syndicate (SPV), or Roll Up Vehicle hosted on the AngelList platform. We define "early stage" deals as deals that occur at Series A or prior. We include all deals signed in the relevant quarter, indicating a legal commitment to invest. We make no guarantee that these deals were finalized in the quarter, or ever. All deals are labeled by round and sector according to the best judgement of the deal lead, with potential oversight from the AngelList investment operations team.

Since we generally only update valuations at priced rounds, at any given three-month stretch, perhaps only 10% of companies will show a change in value. As AngelList skews towards earlier investments, we estimate that about three-quarters of the companies we track are at the seed or Series A stage.

This data represents deals signed by GPs on AngelList between 1/1/22 and 4/1/22.

Markups

The "markups" chart represents what has happened to every active, "seasoned" company ("seasoned" meaning that we track an investment in the company that is at least 180 days old) over a trailing three-month window.

A seasoned startup is considered "marked up (down)" if the most recent deal tracked by AngelList into that startup increased (decreased) in value. Rates are all expressed relative to the number of startups with seasoned investments at the start of the quarter (6,848). While efforts are taken to track valuation updates and exits in a timely manner, readers should expect small changes to historical values on the plots, reflecting valuation changes or exits that occurred during the quarter but were not registered on the platform by the end of the quarter.

In both the "markups" and "activity" charts, time goes left to right, so the most recent activity is closest to the right-hand side of the plot. The top plot is a split between good events (Markups and Exit Ups), which are in shades of yellow and are on the positive side of the top plot, and bad events (Markdowns and Exit Downs), which are in shades of purple and are on the negative side of the top plot.

The dotted line in the top chart is the median outcome. When it's positive, the typical startup event that we observed was positive. The bottom plot tracks activity rates overall and exit rates specifically.

Rate of Activity

Only active (not exited) startups that we have a seasoned investment into (an investment at least 180 days old at the start of the three-month period) are considered.

Since we detect activity by changes in the latest price-per-share, in some cases if a startup does a "flat" round that does not change the price per share, we may not detect that activity.

Valuations

Valuations are based on summary statistics from the pre-money USD valuations of all the rounds within the interval.

Valuations are generally marked to a company's latest priced financing round, as disclosed to AngelList. While AngelList's valuation sources are believed to be reliable, AngelList does not undertake to verify the accuracy of such valuations. Companies that have not received new investments in a priced round since the last mark are held at cost or may be marked down at AngelList's discretion according to its valuation policy.

Valuations and returns do not account for liquidation preferences and other non-financial terms that may affect returns. Investments in later-stage companies may be sent to a third-party for valuation if (i) the company's estimated value is over $100M, (ii) the investment is estimated to be worth over $10M and (iii) 24 months have passed since the last investment. Valuations presented herein are calculated as of the date disclosed and have not been audited by a third party. Contact us for full details on our valuation methodologies.

Market Sector

Deal share by market sector was calculated by adding up the total deal count for each deal that was part of a Syndicate or Traditional Fund and was assigned a specific market sector tag at deal close. This number was then expressed as a percentage of overall deal count in 1Q22.

Share of capital deployed by market sector was calculated by adding up the total capital deployed for all deals that were part of a Syndicate or Traditional Fund and was assigned a specific market sector tag at deal close. This number was then expressed as a percentage of the total capital deployed across all sectors in 1Q22.

Funding to Female Founders

Deal share of female founders was determined by adding up all syndicated deals to startups with a female member of the founding team (as reported by the investor and verified by AngelList). This number was then expressed as a percentage of overall deal count for 1Q22.

Share of capital deployed to female founders was determined by adding up the total syndicated capital deployed to startups with a female member of the founding team (as reported by the investor and verified by AngelList). This number was then expressed as a percentage of the total capital deployed on AngelList for 1Q22.

Deals by Instrument

Deals by instrument were determined by adding up all deals completed in 1Q22 that were assigned a specific instrument tag at deal close. This number was then expressed as a percentage of overall deal count in 1Q22. Preferred investment instrument by round name was determined by adding up all deals assigned to a specific round in 3Q21 and assigned to a specific deal instrument tag at deal close. This number was then expressed as a percentage of the overall number of deals in that named round in 1Q22.

Deals by Round Name

Deals by round name was determined by adding up the total number of deals that were assigned to a specific round for 1Q21, 2Q21, 3Q21, 4Q21, and 1Q22 at deal close. This number was then expressed as a percentage of the overall deal count that took place within the measured time period.

Emerging Tech Companies

Transaction data is pulled for a cohort of U.S.-based emerging tech companies (defined as companies that are pre-Series A).

Median Payroll Spend by Sector

A cohort of emerging technology companies broken into select sectors: consumer, fintech, enterprise, healthtech, and frontier tech (i.e. applied robotics, transportation, semiconductors, aerospace, consumer electronics). Median payroll spend is aggregated by quarter. Data gleaned from SVB transaction analysis.

Payroll Spend vs. Overall Spend Index

Median payroll spend as a percent of median total spend aggregated by year for a cohort of emerging tech companies in: consumer, fintech, enterprise, frontier tech, and healthtech sectors. Data gleaned from SVB transaction analysis.

Median Cash Inflows

Median cash inflows, which do not include funding events, is aggregated per year for a cohort of emerging tech companies in the consumer, fintech, enterprise, frontier tech, and healthcare sectors. Data gleaned from SVB transaction analysis.

Company Formation by Location

Data on U.S.-based tech companies founded in 2021 are pulled from Harmonic.ai, a database of startup formation and fundraising for venture-backed (or on the path to be venture-backed) tech and healthcare companies. The locations are aggregated in Tableau. Miami includes communities in Miami-Dade County. Chicago includes communities in the Chicago metropolitan area. Atlanta includes communities in the Atlanta metropolitan area.